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CANADIAN WALLPAPER MANUFACTURERS LIMITED
AND SUBSIDIARY COMPANIES

Annual
Report

1965

*for the eight months ended
December 31, 1965*

CANADIAN WALLPAPER MANUFACTURERS LIMITED

AND SUBSIDIARY COMPANIES

COMPARATIVE SUMMARY

	8 months ended Dec. 31/65	12 months ended April 30			
		1965	1964	1963	1962
Net sales	\$9,465,623	\$13,206,181	\$11,789,930	\$9,888,000	\$9,685,177
Earnings before taxes	987,716	1,350,658	1,205,397	521,265	754,845
Earnings after taxes	499,216	648,358	705,397	264,065	291,145
Earnings per Share A & B — after taxes	3.86	5.02	5.46	2.04	2.25
Dividend — A & B	1.40	2.00	2.00	1.00	1.00
Shares outstanding April 30					
Class A	26,309	26,284	26,109	26,074	25,914
Class B	102,937	102,962	103,137	103,172	103,332
Investment in property (Net) ..	2,259,068	2,215,585	2,174,933	2,257,752	2,371,604
Working capital	4,656,111	4,440,972	4,020,049	3,450,164	3,138,820

CANADIAN WALLPAPER MANUFACTURERS LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS

- J. N. BOISVERT,
President, The Crown Diamond Paint Co. Ltd., Montreal
- J. R. CRAIG
- M. GUNN,
partner, Strathy, Cowan & Setterington, Toronto
- E. N. HUNTER,
President, The KVP Company Ltd., Toronto
- J. W. HUNTINGTON, M.B.E.,
Chairman, Arthur Sanderson & Sons Ltd., London, England
- R. F. INCH,
Director, The Wall Paper Manufacturers Ltd., London, England
- K. C. LOGAN, PH.D.
Director of Research, Anglo-Canadian Pulp & Paper Mills Ltd., Quebec City
- J. A. MULLIN, Q.C.,
partner, Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto
- M. L. PEMBLE
- S. T. RYDER,
Managing Director, Reed Paper Group and The Wall Paper Manufacturers Ltd., London, England
- W. E. SOLES,
President and General Manager, Anglo-Canadian Pulp & Paper Mills Ltd., Quebec City
- R. M. THOMAS,
Vice-President, Finance and Secretary, Anglo-Canadian Pulp & Paper Mills Ltd., Quebec City
- S. W. WILBUR

OFFICERS

Chairman—S. T. RYDER
President—S. W. WILBUR
Vice-President—J. R. CRAIG
Secretary-Treasurer—
R. C. MACGILLIVRAY, B. COM., C.A.

HEAD OFFICE: TWO HUNDRED AND TWENTY-TWO SEVENTH STREET,
NEW TORONTO, ONTARIO

TRANSFER AGENTS & REGISTRAR: NATIONAL TRUST COMPANY LIMITED,
TORONTO - MONTREAL

AUDITORS: PRICE WATERHOUSE & CO.

BANKERS: CANADIAN IMPERIAL BANK OF COMMERCE, TORONTO

LEGAL COUNSEL: FRASER, BEATTY, TUCKER, McINTOSH & STEWART,
TORONTO, ONTARIO

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

For the eight months ended December 31, 1965.

TO THE SHAREHOLDERS

Your directors remind you of the change in year end authorized at a special meeting of the shareholders held on August 26, 1965 and draw to your attention that this report covers the eight month period ended December 31, 1965.

In every respect this period was satisfactory. Consolidated sales totalled \$9,465,623 and consolidated earnings before income tax totalled \$987,716. The net earnings, after income tax of \$488,500, were \$499,216, equal to \$3.86 per share.

FINANCIAL POSITION

Our financial position was strengthened during the period. Net working capital at December 31, 1965 amounted to \$4,656,111, an increase of \$215,139 during the period.

A statement showing the source and application of funds during the period is included in this report.

TAXES ON INCOME

Provision of \$488,500 has been made for taxes on income including \$37,850 for deferred income taxes.

The company continues to provide for deferred income taxes on the amount by which capital cost allowances claimed for tax purposes exceed the depreciation provided for in the accounts.

DIVIDEND

Your directors recommend payment of a first and final dividend for the period on both classes of shares of \$1.40.

This first and final dividend, if approved at the meeting of shareholders being called for March 31, 1966, will be payable on April 27, 1966 to shareholders of record on April 12, 1966.

BOARD OF DIRECTORS

At a special meeting of the shareholders held on December 6, 1965, By-law V was approved increasing the Board of Directors from eleven to thirteen. The following were appointed to the Board:

Mr. R. M. Thomas
Dr. K. C. Logan

OPERATIONS

The introduction of vinyl-coated products into the C.W.M. lines, together with the up-grading of our more conventional wallcoverings, has resulted in improved results in the period just ended. A close liaison between Marketing and Design groups ensures that our Studios are constantly aware of changing trends in wall fashions.

It has been the long standing practice to concentrate the issuing of new lines into a single year. The consequence has been a high and low level of sales over a two-year period. In the past year, we have begun to schedule more evenly over the two-year period, thereby creating more balanced production schedules and permitting a concentration of effort by our Sales Group on individual products, and it is expected an improved sales picture will result.

This program has been in operation at The Birge Company, Inc. in Buffalo, for some time with beneficial effect. Birge has also demonstrated the desirability of maintaining a flexible position on technical advances in the field of wallcovering and has introduced a number of new products into the wallcovering field. They have contributed substantially to our profit again.

While the markets in the two countries are similar, their relative size places some limitation on the ability of the Canadian company to introduce all the innovations of our American subsidiary. There is, however, a complete exchange of information between the companies and it is acted upon wherever feasible.

The position of our merchandising chain of stores, Empire Wallpaper & Paint Limited, has continued to improve. In this past period, while only of eight months' duration, they have shown the highest profit in their history. We will continue to search out locations for new stores. One new outlet was established in Montreal during the period under review; others are under consideration.

Dominion Colour Corporation Limited has continued to progress with sales showing a substantial increase over the corresponding period of the previous year. Extensive additions of modern production equipment during the period will improve the efficiency of production methods in the coming years.

BY-LAWS

By-law U was enacted to place the directors in the position that they could declare dividends without the necessity of referring final dividends to the shareholders each year and By-law W was enacted to permit the board of directors to elect an executive committee consisting of not less than three directors whereas the by-laws had previously required, through the paragraphs being deleted, that the executive committee consist of twelve directors.

OUTLOOK

All companies within the group are geared to grow with the expanding economy and look forward to their share of the market during 1966.

The directors wish to express their sincere appreciation to the officers and employees of the company for their loyalty and support during the period.

Submitted on behalf of the board.

S. T. RYDER,
Chairman

March 18, 1966

CANADIAN WALLPAPER MANUFACTURERS LIMITED
AND SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF EARNINGS AND
RETAINED EARNINGS FOR THE EIGHT MONTHS
ENDED DECEMBER 31, 1965**

Net sales		\$ 9,465,623
Investment and other income		57,432
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		9,523,055
COSTS AND EXPENSES:		
Cost of goods sold	\$ 6,437,239	
Selling and distribution	1,523,347	
General and administrative	574,753	
	<hr/>	8,535,339
Earnings before deducting income taxes		987,716
Provision for income taxes, including \$37,850 applicable to future periods		488,500
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Net earnings for the period		499,216
Retained earnings at beginning of period		3,874,284
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		4,373,500
Dividend proposed (\$1.40 per share)		180,944
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Retained earnings at end of period		<u>\$ 4,192,556</u>

Notes:

(1) Costs and expenses include the following charges:

Depreciation and amortization	\$170,928
Remuneration of directors, as directors, officers or employees	50,654
Interest on borrowed funds	26,512
Past service pension payments to retired employees	35,963

(2) As at December 31, 1965, minimum annual rentals of approximately \$100,500 are payable under leases extending beyond one year, of which approximately \$13,000 is recoverable from sub-tenants.

**CANADIAN WALLPAPER MANUFACTURERS LIMITED
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1965**

CURRENT ASSETS:

Cash	\$ 102,271
Short term investments, at cost which approximates market	800,000
Accounts receivable —	
Trade, including affiliated companies — \$183,535	2,372,933
Other	39,953
Inventories, valued at the lower of cost or net realizable value	3,499,891
Prepaid expenses	221,258
Total current assets	<u>7,036,306</u>

CURRENT LIABILITIES:

Bank loan of subsidiary company (U.S. \$800,000)	\$ 863,391
Accounts payable and accrued liabilities	1,072,253
Taxes payable	263,607
Proposed dividend payable	180,944
	<u>2,380,195</u>
Working capital	4,656,111

LONG-TERM RECEIVABLE

86,510

PROPERTY, PLANT AND EQUIPMENT, at cost:

Buildings, machinery and equipment	6,587,304
Less — Accumulated depreciation	4,478,915
	<u>2,108,389</u>
Land	150,679
	<u>2,259,068</u>

LEASEHOLD IMPROVEMENTS AND FRANCHISE,

at cost less amounts written off	37,934
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DESIGNING, CUTTING AND ENGRAVING

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Working capital and other assets	<u>7,039,624</u>
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DEDUCT:

Deferred income taxes	104,750
Unrealized profit on foreign exchange arising on consolidation	93,836
	<u>198,586</u>

Excess of assets over liabilities	<u><u>\$ 6,841,038</u></u>
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SHAREHOLDERS' EQUITY:

Capital stock —	
Class "A" shares of no par value —	
Authorized — 194,096 shares	
Issued — 26,309 shares	\$ 538,273
Class "B" shares of no par value —	
Convertible at the holder's option into Class "A" shares on a share for share basis —	
Authorized and issued — 102,937 shares (During the eight months ended December 31, 1965, 25 Class "B" shares were converted into Class "A" shares)	2,110,209
	<u>2,648,482</u>
Retained earnings	4,192,556
	<u><u>\$ 6,841,038</u></u>

APPROVED ON BEHALF OF THE BOARD:

S. W. WILBUR, Director

J. R. CRAIG, Director

CANADIAN WALLPAPER MANUFACTURERS LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF
SOURCE AND APPLICATION OF FUNDS
FOR THE EIGHT MONTHS ENDED DECEMBER 31, 1965

Funds provided by:

Net earnings for the eight months ended December 31, 1965	\$ 499,216
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Add—Charges which did not involve the current disbursement of funds:

Depreciation and amortization	170,928
Deferred income taxes	37,850

Funds provided from operations	707,994
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Funds applied to:

Investment in plant and equipment (net)	\$ 218,106
Dividends	180,944
Long-term receivable	86,510
Foreign exchange adjustment	7,295
	492,855

Increase in working capital	215,139
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Working capital at beginning of period	4,440,972
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Working capital at end of period	\$ 4,656,111
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AUDITORS' REPORT

TO THE SHAREHOLDERS OF

CANADIAN WALLPAPER MANUFACTURERS LIMITED:

We have examined the consolidated statement of financial position of Canadian Wallpaper Manufacturers Limited and subsidiary companies as at December 31, 1965 and the consolidated statement of earnings and retained earnings for the eight months ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of financial position and consolidated statement of earnings and retained earnings present fairly the financial position of the companies as at December 31, 1965 and the results of their operations for the eight months ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying consolidated statement of source and application of funds for the eight months ended December 31, 1965 and, in our opinion, the statement presents fairly the changes in working capital for the eight month period.

PRICE WATERHOUSE & CO.

Chartered Accountants.

TORONTO, CANADA, FEBRUARY 9, 1966.

